

CENTRAL INTELLIGENCE AGENCY

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MEMORANDUM FOR: Major General Grover C. Brown, USAF
Assistant Director for Intelligence
Production
Defense Intelligence Agency

SUBJECT : Assignment of Responsibilities in
the Field of Military Costing

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1. The recent proposal to table a DIA paper on Soviet shipbuilding expenditures [REDACTED] leads me to believe that we should review the assignment of responsibilities in the military costing field to assure that we have a common understanding of agreements which govern these relationships.

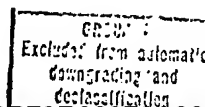
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2. In an exchange of correspondence between the Deputy Secretary of Defense and the Director of Central Intelligence in early 1965, Secretary Vance outlined the following understanding which has governed subsequent work in this field:

"...studies relating to cost and resource impact of foreign military and space programs...should be more centrally directed, monitored, and evaluated. I wholeheartedly concur that the Central Intelligence Agency should continue to have primary responsibility for these analyses; and I support the expansion of the Central Intelligence Agency's capabilities in this area."

General Carroll was kept informed of this correspondence and indicated his agreement with the understanding.

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3. The 1965 exchange of correspondence, and the agreements which they reflect, resulted from a review undertaken during the previous year. Increasing requirements were being posed by the DoD and other agencies to assess the cost and economic impact of military and space programs of foreign countries. These studies were in greater detail than required for national estimates and the intelligence community was unable at the time to meet the requirements fully.

4. A principal problem, highlighted in the 1964-1965 review, was that contractors and others undertaking studies of the costs of foreign programs were using a variety of methods, prices, and cost factors in assessing what otherwise were comparable programs. Variation in these aspects made it impossible to evaluate the differences in results obtained or to use the results broadly because the degree to which overall differences were basic, or were the result of the use of different prices, methods or costing factors, could not be judged.

5. A major objective of Mr. McCone and Secretary Vance was to assure that, by centralizing the responsibility for such work, differences in study results would reflect real differences in the foreign programs being portrayed and not simply differences in costing methods or factors. This in turn would introduce a degree of uniformity which would allow effective utilization of this material throughout the government.

6. As a result of the 1965 correspondence, CIA expanded its staff assigned to the military costing function and undertook to perform services in this field on behalf of the intelligence community. These now include detailed cost analyses for the National Intelligence Projections for Planning (NIPP) issuances, specialized studies in connection with NIE's, and selected studies for DoD elements such as the ASD (Systems Analysis) and the DDR&E. The computer runs which contain the detailed calculations for these studies are regularly and routinely distributed to DIA personnel who work in this field. Community coordination on many detailed aspects is effected

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by such means as ad hoc NIPP Working Groups and regular analyst-to-analyst consultation at the working level.

7. Secretary Vance's letter to Mr. McCone also indicated that DIA's


"...capability in this area might need some augmentation, not only to enhance cooperation with the Central Intelligence Agency, but to assure responsiveness to future requirements, including the undertaking of specialized comparative costing problems."

This statement was in recognition of the fact that there would continue to be requests for support from within the DoD which DIA would normally service, and for which DIA would draw upon costing work of CIA. The development and use by DIA or other organizations of separate sets of prices, cost factors, and so on, differing from those being used to support National Intelligence issuances, clearly would be inconsistent with the spirit and intent of the 1965 agreements, and would vitiate much of the progress which has been made since then.

8. It is in the foregoing context that I am led to ask that we review current arrangements and assure that we have a common understanding.

9. I believe that, when DIA analysts identify prices, cost factors, or some other costing aspect which they believe should be altered, they should routinely bring this to the attention of cost analysis unit in the Office of Strategic Research so that a mutually acceptable resolution of the problem can be obtained. It is totally unacceptable for the intelligence community to be using a variety of prices, factors, and the like to represent otherwise identical systems or programs. That way lies chaos. It is equally important that the intelligence community use all the means and expertise at its disposal -- in DIA as well as CIA -- to assure that costing studies are as comprehensive and accurate as possible.

10. I have felt it appropriate to review the background and current status of work in this area in some detail to assure a common understanding. We are eager to continue to work cooperatively with DIA in this important area of military costing. I would appreciate knowing whether there are matters in this regard which you feel need to be clarified.


BRUCE C. CLARKE, Jr.
Director
Strategic Research

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